

ANNUAL STATEMENT

Including Supplements

OF THE

Delta Dental Plan of Arkansas, Inc.

Delta Dental

Plan

Of Arkansas, Inc.

of Sherwood

in the state of Arkansas

TO THE

Insurance Department

OF THE

STATE OF Arkansas

FOR THE YEAR ENDED

December 31, 2003

HEALTH

2003



47155200320100100

HEALTH ANNUAL STATEMENT

FOR THE YEAR ENDING DECEMBER 31, 2003

OF THE CONDITION AND AFFAIRS OF THE

Delta Dental Plan of Arkansas, Inc.

NAIC Group Code 0000 (Current Period) 0000 (Prior Period) NAIC Company Code 47155 Employer's ID Number 71-0561140

Organized under the Laws of , State of Domicile or Port of Entry

Country of Domicile

Licensed as business type: Life, Accident & Health [] Property/Casualty [] Hospital, Medical & Dental Service or Indemnity [] Dental Service Corporation [X] Vision Service Corporation [] Health Maintenance Organization [] Other [] Is HMO Federally Qualified? YES [] NO []

Date Incorporated or Organized: March 15, 1982 Date Commenced Business: August 1, 1982

Statutory Home Office: 1513 Country Club Sherwood, AR 72120

Main Administrative Office: 1513 Country Club Sherwood, AR 72120 501-835-3400

Mail Address: 1513 Country Club Sherwood, AR 72120

Primary Location of Books and Records: 1513 Country Club Sherwood, AR 72120 501-835-3400

Internet Website Address: www.deltadentalar.com

Statutory Statement Contact: Phyllis Rogers 501-992-1616

progers@deltadentalar.com 501-992-1617 (E-Mail Address) (Fax Number)

Policyowner Relations Contact: 1513 Country Club Sherwood, AR 72120 501-835-3400

OFFICERS

President: Eddie Allen Choate

Secretary: Ebb Weldon Johnson

Treasurer: Harold Wayne Perrin

Vice-Presidents

Ina Lynn Harbert Phyllis Lynn Rogers Herman Eldon Hurd Lynne Belue Lawrence Allen Dale Moore

DIRECTORS OR TRUSTEES

David Hiram Cole Ronald Paul Ownbey Harold Wayne Perrin Robert Joe Matlock Maxwell Usery Fleming Earl Alexander Gladden Robert Howard Gladden Ebb Weldon Johnson James Talbert Johnston Daniel Austin Lieblong Byron Scott Southern

State of Arkansas ss County of Pulaski

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively.

(Signature) (Signature) (Signature) Eddie Allen Choate Ebb Weldon Johnson Harold Wayne Perrin (Printed Name) (Printed Name) (Printed Name) President Secretary Treasurer

Subscribed and sworn to before me this 13th day of February 2004 a. Is this an original filing? YES [X] NO [] b. If no: 1. State the amendment number 2. Date filed 3. Number of pages attached

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	15,277,123		15,277,123	14,696,858
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks	3,176,561		3,176,561	2,521,172
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)	6,491,764	3,844,406	2,647,358	2,746,403
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)	964,453	582,634	381,819	
5. Cash (\$ 4,294,935, Schedule E-Part 1), cash equivalents (\$ 0, Schedule E-Part 2) and short-term investments (\$ 0, Schedule DA)	4,294,935		4,294,935	3,088,080
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)				
8. Receivable for securities				
9. Aggregate write-ins for invested assets	72,406		72,406	
10. Subtotals, cash and invested assets (Lines 1 to 9)	30,277,242	4,427,040	25,850,202	23,052,513
11. Investment income due and accrued	121,518		121,518	122,448
12. Premiums and considerations:				
12.1 Uncollected premiums and agents' balances in the course of collection				269,026
12.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)				
12.3 Accrued retrospective premiums				
13. Reinsurance:				
13.1 Amounts recoverable from reinsurers				
13.2 Funds held by or deposited with reinsured companies				
13.3 Other amounts receivable under reinsurance contracts				
14. Amounts receivable relating to uninsured plans	3,050,683		3,050,683	3,506,129
15.1 Current federal and foreign income tax recoverable and interest thereon				
15.2 Net deferred tax asset				
16. Guaranty funds receivable or on deposit				
17. Electronic data processing equipment and software	891,578		891,578	512,729
18. Furniture and equipment, including health care delivery assets (\$ 0)	698,156	698,156		
19. Net adjustment in assets and liabilities due to foreign exchange rates				
20. Receivables from parent, subsidiaries and affiliates	41,093		41,093	
21. Health care (\$ 0) and other amounts receivable	336,692		336,692	
22. Other assets nonadmitted				
23. Aggregate write-ins for other than invested assets	108,173	108,173		1,180
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	35,525,135	5,233,369	30,291,766	27,464,025
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	35,525,135	5,233,369	30,291,766	27,464,025

DETAILS OF WRITE-INS				
0901. 457 Deferred Compensation Plan	72,406		72,406	
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page				
0999. Totals (Lines 0901 through 0903 + 0998) (Line 9 above)	72,406		72,406	
2301. PREPAID EXPENSES	108,173	108,173		1,180
2302. MISCELLANEOUS RECEIVABLE				
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Lines 2301 through 2303 + 2398) (Line 23 above)	108,173	108,173		1,180

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ 0 reinsurance ceded)	2,900,000		2,900,000	2,127,000
2. Accrued medical incentive pool and bonus amounts				
3. Unpaid claims adjustment expenses	128,083		128,083	97,740
4. Aggregate health policy reserves				
5. Aggregate life policy reserves				
6. Property/casualty unearned premium reserves				
7. Aggregate health claim reserves				
8. Premiums received in advance	624,112		624,112	740,790
9. General expenses due or accrued	1,377,311		1,377,311	632,008
10.1 Current federal and foreign income tax payable and interest thereon (including \$ 0 on realized capital gains (losses))				
10.2 Net deferred tax liability				
11. Ceded reinsurance premiums payable				
12. Amounts withheld or retained for the account of others	524,637		524,637	
13. Remittance and items not allocated				
14. Borrowed money (including \$ 0 current) and interest thereon \$ 0 (including \$ 0 current)	2,000,000		2,000,000	
15. Amounts due to parent, subsidiaries and affiliates				
16. Payable for securities				
17. Funds held under reinsurance treaties with (\$ 0 authorized reinsurers and \$ 0 unauthorized reinsurers)				
18. Reinsurance in unauthorized companies				
19. Net adjustments in assets and liabilities due to foreign exchange rates				
20. Liability for amounts held under uninsured accident and health plans	2,324,857		2,324,857	2,453,553
21. Aggregate write-ins for other liabilities (including \$ 0 current)	65,000		65,000	55,317
22. Total liabilities (Lines 1 to 21)	9,944,000		9,944,000	6,106,408
23. Common capital stock	X X X	X X X		
24. Preferred capital stock	X X X	X X X		
25. Gross paid in and contributed surplus	X X X	X X X		
26. Surplus notes	X X X	X X X		
27. Aggregate write-ins for other than special surplus funds	X X X	X X X	50,000	50,000
28. Unassigned funds (surplus)	X X X	X X X	20,297,766	21,307,617
29. Less treasury stock, at cost:				
29.1 0 shares common (value included in Line 23 \$ 0)	X X X	X X X		
29.2 0 shares preferred (value included in Line 24 \$ 0)	X X X	X X X		
30. Total capital and surplus (Lines 23 to 28 minus Line 29)	X X X	X X X	20,347,766	21,357,617
31. Total liabilities, capital and surplus (Lines 22 and 30)	X X X	X X X	30,291,766	27,464,025
DETAILS OF WRITE-INS				
2101. Accrued premium tax	65,000		65,000	55,317
2102.				
2103.				
2198. Summary of remaining write-ins for Line 21 from overflow page				
2199. Totals (Lines 2101 through 2103 plus 2198) (Line 21 above)	65,000		65,000	55,317
2701. Deposit required by the Arkansas Insurance Department	X X X	X X X	50,000	50,000
2702.	X X X	X X X		
2703.	X X X	X X X		
2798. Summary of remaining write-ins for Line 27 from overflow page	X X X	X X X		
2799. Totals (Lines 2701 through 2703 plus 2798) (Line 27 above)	X X X	X X X	50,000	50,000

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1	2	3
	Uncovered	Total	Total
1. Member Months	X X X	1,331,574	1,227,487
2. Net premium income (including \$ 0 non-health premium income)	X X X	48,844,265	42,089,864
3. Change in unearned premium reserves and reserve for rate credits	X X X		
4. Fee-for-service (net of \$ 0 medical expenses)	X X X		
5. Risk revenue	X X X		
6. Aggregate write-ins for other health care related revenues	X X X		
7. Aggregate write-ins for other non-health revenues	X X X		
8. Total revenues (Lines 2 to 7)	X X X	48,844,265	42,089,864
Hospital and Medical:			
9. Hospital/medical benefits		41,318,009	36,011,966
10. Other professional services			
11. Outside referrals			
12. Emergency room and out-of-area			
13. Prescription drugs			
14. Aggregate write-ins for other hospital and medical			
15. Incentive pool, withhold adjustments, and bonus amounts			
16. Subtotal (Lines 9 to 15)		41,318,009	36,011,966
Less:			
17. Net reinsurance recoveries			
18. Total hospital and medical (Lines 16 minus 17)		41,318,009	36,011,966
19. Non-health claims			
20. Claims adjustment expenses		1,599,770	1,411,176
21. General administrative expenses		3,870,421	3,254,317
22. Increase in reserves for life and accident and health contracts (including \$ 0 increase in reserves for life only)			
23. Total underwriting deductions (Lines 18 through 22)		46,788,200	40,677,459
24. Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	2,056,065	1,412,405
25. Net investment income earned		519,461	697,059
26. Net realized capital gains or (losses)		5,223	638,813
27. Net investment gains or (losses) (Lines 25 plus 26)		524,684	1,335,872
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$ 0) (amount charged off \$ 0)]			
29. Aggregate write-ins for other income or expenses		215,747	185,281
30. Net income or (loss) before federal income taxes (Lines 24 plus 27 plus 28 plus 29)	X X X	2,796,496	2,933,558
31. Federal and foreign income taxes incurred	X X X		
32. Net income (loss) (Lines 30 minus 31)	X X X	2,796,496	2,933,558
DETAILS OF WRITE-INS			
0601.	X X X		
0602.	X X X		
0603.	X X X		
0698. Summary of remaining write-ins for Line 6 from overflow page	X X X		
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	X X X		
0701.	X X X		
0702.	X X X		
0703.	X X X		
0798. Summary of remaining write-ins for Line 7 from overflow page	X X X		
0799. Totals (Lines 0701 through 0703 plus 0798) (Line 07 above)	X X X		
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)			
2901. MISCELLANEOUS INCOME		37,507	31,966
2902. OCCUPANCY OF OWN BUILDING INCOME		190,500	153,315
2903. INTEREST EXPENSE		(12,260)	
2998. Summary of remaining write-ins for Line 29 from overflow page			
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)		215,747	185,281

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1	2
	Current Year	Prior Year
CAPITAL & SURPLUS ACCOUNT		
33. Capital and surplus prior reporting year	21,357,617	19,563,772
GAINS AND LOSSES TO CAPITAL & SURPLUS		
34. Net income or (loss) from Line 32	2,796,496	2,933,558
35. Change in valuation basis of aggregate policy and claim reserves		
36. Net unrealized capital gains and losses	646,270	(671,776)
37. Change in net unrealized foreign exchange capital gain or (loss)		
38. Change in net deferred income tax		
39. Change in nonadmitted assets	(4,452,617)	(467,937)
40. Change in unauthorized reinsurance		
41. Change in treasury stock		
42. Change in surplus notes		
43. Cumulative effect of changes in accounting principles		
44. Capital Changes:		
44.1 Paid in		
44.2 Transferred from surplus (Stock Dividend)		
44.3 Transferred to surplus		
45. Surplus adjustments:		
45.1 Paid in		
45.2 Transferred to capital (Stock Dividend)		
45.3 Transferred from capital		
46. Dividends to stockholders		
47. Aggregate write-ins for gains or (losses) in surplus		
48. Net change in capital and surplus (Lines 34 to 47)	(1,009,851)	1,793,845
49. Capital and surplus end of reporting year (Line 33 plus 48)	20,347,766	21,357,617
DETAILS OF WRITE-INS		
4701.		
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page		
4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)		

CASH FLOW

Cash from Operations		1	2
		Current Year	Prior Year
1.	Premiums collected net of reinsurance	48,776,599	42,389,400
2.	Net investment income	524,684	697,059
3.	Miscellaneous income	25,247	185,281
4.	Total (Lines 1 through 3)	49,326,530	43,271,740
5.	Benefit and loss related payments	40,545,009	41,074,734
6.	Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	5,249,348	
8.	Dividends paid to policyholders		
9.	Federal and foreign income taxes paid (recovered) \$ 0 net tax on capital gains (losses)		
10.	Total (Lines 5 to 9)	45,794,357	41,074,734
11.	Net cash from operations (Lines 4 minus 10)	3,532,173	2,197,006
Cash from Investments			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds	3,561,000	12,644,379
12.2	Stocks		
12.3	Mortgage loans		
12.4	Real estate		
12.5	Other invested assets		
12.6	Net gains (losses) on cash and short-term investments		
12.7	Miscellaneous proceeds	1,103,735	
12.8	Total investment proceeds (Lines 12.1 to 12.7)	4,664,735	12,644,379
13.	Cost of investments acquired (long-term only):		
13.1	Bonds	4,275,000	13,196,160
13.2	Stocks		
13.3	Mortgage loans		
13.4	Real estate	4,715,053	2,142,930
13.5	Other invested assets		
13.6	Miscellaneous applications		119,178
13.7	Total investments acquired (Lines 13.1 to 13.6)	8,990,053	15,458,268
14.	Net increase (decrease) in policy loans and premium notes		
15.	Net cash from investments (Line 12.8 minus Lines 13.7 and 14)	(4,325,318)	(2,813,889)
Cash from Financing and Miscellaneous Sources			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes		
16.2	Capital and paid in surplus, less treasury stock		
16.3	Borrowed funds received	2,000,000	
16.4	Net deposits on deposit-type contracts and other insurance liabilities		
16.5	Dividends to stockholders		
16.6	Other cash provided (applied)		(334,226)
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	2,000,000	(334,226)
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS			
18.	Net change in cash and short-term investments (Line 11, plus Line 15, plus Line 17)	1,206,855	(951,109)
19.	Cash and short-term investments:		
19.1	Beginning of year	3,088,080	4,039,189
19.2	End of year (Line 18 plus Line 19.1)	4,294,935	3,088,080

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS (Gain and Loss Exhibit)

[illegible]

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1 - PREMIUMS

	1	2	3	4
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (hospital and medical)				
2. Medicare Supplement				
3. Dental only	48,844,265			48,844,265
4. Vision only				
5. Federal Employees Health Benefits Plan				
6. Title XVIII - Medicare				
7. Title XIX - Medicaid				
8. Stop loss				
9. Disability income				
10. Long-term care				
11. Other health				
12. Health subtotal (Lines 1 through 11)	48,844,265			48,844,265
13. Life				
14. Property / casualty				
15. Totals (Lines 12 to 14)	48,844,265			48,844,265

PART 2 - Claims Incurred During the Year

6

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - Claims Liability End of Current Year

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non-Health
1. Reported in Process of Adjustment:													
1.1 Direct													
1.2 Reinsurance assumed													
1.3 Reinsurance ceded													
1.4 Net													
2. Incurred but Unreported:													
2.1 Direct	2,900,000			2,900,000									
2.2 Reinsurance assumed													
2.3 Reinsurance ceded													
2.4 Net	2,900,000			2,900,000									
3. Amount Withheld from Paid Claims and Capitations:													
3.1 Direct													
3.2 Reinsurance assumed													
3.3 Reinsurance ceded													
3.4 Net													
4. TOTALS:													
4.1 Direct	2,900,000			2,900,000									
4.2 Reinsurance assumed													
4.3 Reinsurance ceded													
4.4 Net	2,900,000			2,900,000									

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical)						
2. Medicare Supplement						
3. Dental Only	2,306,111	38,238,898	4,082	2,895,918	2,310,193	2,127,000
4. Vision Only						
5. Federal Employees Health Benefits Plan						
6. Title XVIII - Medicare						
7. Title XIX - Medicaid						
8. Other health						
9. Health subtotal (Lines 1 to 8)	2,306,111	38,238,898	4,082	2,895,918	2,310,193	2,127,000
10. Other non-health						
11. Medical incentive pools, and bonus amounts						
12. Totals (Lines 9 to 11)	2,306,111	38,238,898	4,082	2,895,918	2,310,193	2,127,000

UNDERWRITING AND INVESTMENT EXHIBIT

Hospital & Medical

Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior						
2. 1999						
3. 2000		X X X				
4. 2001		X X X	X X X			
5. 2002		X X X	X X X	X X X		
6. 2003		X X X	X X X	X X X	X X X	

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
		1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior						
2. 1999						
3. 2000		X X X				
4. 2001		X X X	X X X			
5. 2002		X X X	X X X	X X X		
6. 2003		X X X	X X X	X X X	X X X	

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

[illegible]

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF INCURRED HEALTH CLAIMS
(000 Omitted)

Medicare Supplement

Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior					
2. 1999					
3. 2000	X X X				
4. 2001	X X X	X X X			
5. 2002	X X X	X X X	X X X		
6. 2003	X X X	X X X	X X X	X X X	

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior					
2. 1999					
3. 2000	X X X				
4. 2001	X X X	X X X			
5. 2002	X X X	X X X	X X X		
6. 2003	X X X	X X X	X X X	X X X	

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

[illegible]

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF INCURRED HEALTH CLAIMS
(000 Omitted)

Dental Only

Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior	2,645				
2. 1999	26,106	2,300			
3. 2000	X X X	27,892	2,299		
4. 2001	X X X	X X X	29,789	2,164	
5. 2002	X X X	X X X	X X X	34,221	2,306
6. 2003	X X X	X X X	X X X	X X X	38,239

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior					
2. 1999	2,912				
3. 2000	X X X	3,180	3		
4. 2001	X X X	X X X	2,497	2	
5. 2002	X X X	X X X	X X X	2,125	4
6. 2003	X X X	X X X	X X X	X X X	2,896

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

[illegible]

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF INCURRED HEALTH CLAIMS
(000 Omitted)

Vision Only

Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior					
2. 1999					
3. 2000	X X X				
4. 2001	X X X	X X X			
5. 2002	X X X	X X X	X X X		
6. 2003	X X X	X X X	X X X	X X X	

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior					
2. 1999					
3. 2000	X X X				
4. 2001	X X X	X X X			
5. 2002	X X X	X X X	X X X		
6. 2003	X X X	X X X	X X X	X X X	

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

[illegible]

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF INCURRED HEALTH CLAIMS
(000 Omitted)

Federal Employees Health Benefits Plan

Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior					
2. 1999					
3. 2000	X X X				
4. 2001	X X X	X X X			
5. 2002	X X X	X X X	X X X		
6. 2003	X X X	X X X	X X X	X X X	

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior					
2. 1999					
3. 2000	X X X				
4. 2001	X X X	X X X			
5. 2002	X X X	X X X	X X X		
6. 2003	X X X	X X X	X X X	X X X	

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

[illegible]

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF INCURRED HEALTH CLAIMS
(000 Omitted)

Title XVIII - Medicare

Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior					
2. 1999					
3. 2000	X X X				
4. 2001	X X X	X X X			
5. 2002	X X X	X X X	X X X		
6. 2003	X X X	X X X	X X X	X X X	

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior					
2. 1999					
3. 2000	X X X				
4. 2001	X X X	X X X			
5. 2002	X X X	X X X	X X X		
6. 2003	X X X	X X X	X X X	X X X	

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

[illegible]

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF INCURRED HEALTH CLAIMS
(000 Omitted)

Title XIX - Medicaid

Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior					
2. 1999					
3. 2000	X X X				
4. 2001	X X X	X X X			
5. 2002	X X X	X X X	X X X		
6. 2003	X X X	X X X	X X X	X X X	

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior					
2. 1999					
3. 2000	X X X				
4. 2001	X X X	X X X			
5. 2002	X X X	X X X	X X X		
6. 2003	X X X	X X X	X X X	X X X	

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

[illegible]

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF INCURRED HEALTH CLAIMS
(000 Omitted)

Other

Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior					
2. 1999					
3. 2000	X X X				
4. 2001	X X X	X X X			
5. 2002	X X X	X X X	X X X		
6. 2003	X X X	X X X	X X X	X X X	

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior					
2. 1999					
3. 2000	X X X				
4. 2001	X X X	X X X			
5. 2002	X X X	X X X	X X X		
6. 2003	X X X	X X X	X X X	X X X	

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

[illegible]

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF INCURRED HEALTH CLAIMS
(000 Omitted)

Grand Total

Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior	2,645				
2. 1999	26,106	2,300			
3. 2000	X X X	27,892	2,299		
4. 2001	X X X	X X X	29,789	2,164	
5. 2002	X X X	X X X	X X X	34,221	2,306
6. 2003	X X X	X X X	X X X	X X X	38,239

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior					
2. 1999	2,912				
3. 2000	X X X	3,180	3		
4. 2001	X X X	X X X	2,497	2	
5. 2002	X X X	X X X	X X X	2,125	4
6. 2003	X X X	X X X	X X X	X X X	2,896

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

[illegible]

NONE Underwriting and Investment Exhibit - Part 2D

UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - ANALYSIS OF EXPENSES

	1 Claim Adjustment Expenses	2 General Administrative Expenses	3 Investment Expenses	4 Total
1. Rent (\$ 0 for occupancy of own building)	114,300	76,200		190,500
2. Salaries, wages and other benefits	2,663,714	2,677,381		5,341,095
3. Commissions (less \$ 0 ceded plus \$ 0 assumed)		3,058,168		3,058,168
4. Legal fees and expenses	24,282	24,406		48,688
5. Certifications and accreditation fees				
6. Auditing, actuarial and other consulting services	17,892	17,983		35,875
7. Traveling expenses	107,448	108,000		215,448
8. Marketing and advertising		60,789		60,789
9. Postage, express and telephone	505,063	507,654		1,012,717
10. Printing and office supplies	136,315	137,014		273,329
11. Occupancy, depreciation and amortization	17,500	17,589		35,089
12. Equipment	70,592	70,954		141,546
13. Cost or depreciation of EDP equipment and software	255,791	257,103		512,894
14. Outsourced services including EDP, claims, and other services	1,620,021			1,620,021
15. Boards, bureaus and association fees		402,163		402,163
16. Insurance, except on real estate	41,997	42,213		84,210
17. Collection and bank service charges	145,387			145,387
18. Group service and administration fees				
19. Reimbursements by uninsured accident and health plans	(4,273,186)	(4,295,111)		(8,568,297)
20. Reimbursements from fiscal intermediaries				
21. Real estate expenses	48,764	49,015		97,779
22. Real estate taxes	13,807	13,877		27,684
23. Taxes, licenses and fees:				
23.1 State and local insurance taxes				
23.2 State premium taxes		245,526		245,526
23.3 Regulator authority licenses and fees				
23.4 Payroll taxes				
23.5 Other (excluding federal income and real estate taxes)		53,998		53,998
24. Investment expenses not included elsewhere				
25. Aggregate write-ins for expenses	90,083	345,499		435,582
26. Total expenses incurred (Lines 1 to 25)	1,599,770	3,870,421	(a)	5,470,191
27. Less expenses unpaid December 31, current year	128,083	1,377,311		1,505,394
28. Add expenses unpaid December 31, prior year	35,304	62,436		97,740
29. Amounts receivable relating to uninsured accident and health plans, prior year				
30. Amounts receivable relating to uninsured accident and health plans, current year				
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	1,506,991	2,555,546		4,062,537
DETAILS OF WRITE-INS				
2501. Charitable Contributions		253,855		253,855
2502. Miscellaneous Other	4,525	4,548		9,073
2503. Processing Expense	29,457	29,608		59,065
2598. Summary of remaining write-ins for Line 25 from overflow page	56,101	57,488		113,589
2599. Totals (Lines 2501 through 2503 + 2598) (Line 25 above)	90,083	345,499		435,582

(a) Includes management fees of \$ 0 to affiliates and \$ 0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 420,185	420,185
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a) 6,000	6,000
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash/short-term investments	(e) 93,276	93,276
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income		
10. Total gross investment income	519,461	519,461
11. Investment expenses		(g)
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		
17. Net investment income - (Line 10 minus Line 16)		519,461
DETAILS OF WRITE-INS		
0901.		
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page		
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)		
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		
1599. Totals (Lines 1501 through 1503) plus 1598 (Line 15, above)		
(a) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.		
(b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.		
(c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.		
(d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.		
(e) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.		
(f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.		
(g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.		
(h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.		
(i) Includes \$ 0 depreciation on real estate and assets.		

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1	2	3	4	5
	Realized Gain (Loss) On Sales or Maturity	Other Realized Adjustments	Increases (Decreases) by Adjustment	Net Gain (Loss) from Change in Difference Between Basis Book/Adjusted Carrying and Admitted Values	Total
1. U.S. Government bonds	5,223				5,223
1.1 Bonds exempt from U.S. tax					
1.2 Other bonds (unaffiliated)					
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)					
2.21 Common stocks of affiliates					
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash/short-term investments					
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	5,223				5,223
DETAILS OF WRITE-INS					
0901.					
0902.					
0903.					
0998. Summary of remaining write-ins for Line 9 from overflow page					
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)					

EXHIBIT 1 - ANALYSIS OF NONADMITTED ASSETS AND RELATED ITEMS

	1 End of Current Year	2 End of Prior Year	3 Changes for Year (Increase) or Decrease
1. Summary of Items Page 2, Lines 12 to 20, Column 2	698,156	213,681	(484,475)
2. Other Nonadmitted Assets:			
2.1 Bills receivable			
2.2 Leasehold improvements			
2.3 Cash advanced to or in hands of officers and agents			
2.4 Loans on personal security, endorsed or not			
2.5 Commuted commissions			
3. Total (Lines 2.1 to 2.5)			
4. Aggregate write-ins for other assets	4,535,213	567,071	(3,968,142)
5. Total (Line 1 plus Line 3 and Line 4)	5,233,369	780,752	(4,452,617)
DETAILS OF WRITE-INS			
0401. Prepaid Expenses	108,173	64,451	(43,722)
0402. Real Estate in excess of state limit of 10%	4,427,040	502,620	(3,924,420)
0403.			
0498. Summary of remaining write-ins for Line 4 from overflow page			
0499. Totals (Lines 0401 through 0403 plus 0498) (Line 4 above)	4,535,213	567,071	(3,968,142)

EXHIBIT 2 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations						
2. Provider Service Organizations						
3. Preferred Provider Organizations						
4. Point of Service						
5. Indemnity Only						
6. Aggregate write-ins for other lines of business	104,766	109,203	109,749	110,550	114,202	1,331,574
7. Total	104,766	109,203	109,749	110,550	114,202	1,331,574
DETAILS OF WRITE-INS						
0601. Dental Only	104,766	109,203	109,749	110,550	114,202	1,331,574
0602.						
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page						
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	104,766	109,203	109,749	110,550	114,202	1,331,574

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. The accompanying financial statements of the organization have been prepared in conformity with the NAIC Annual Statement Instructions and Accounting Practices and Procedures Manual.
- b. The preparation of financial statements in conformity with the Annual Statement Instructions and Accounting Practices and Procedures Manual requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. The actual results could differ from these estimates.
- c.
 - (1) Short-term investments with a maturity of three months or less at the time of purchase are reported as cash equivalents.
 - (2) Corporate bonds are stated at market value.
 - (3) Common stocks are stated at market value.
 - (6) US Treasury Bonds and government agency securities are stated at amortized cost.
 - (7) The organization carries Omega Administrators, Inc. (a wholly-owned subsidiary) using the generally accepted accounting principles equity method.
- d. Dental premiums are billed in advance and are included in income ratably over the period to which they apply; accordingly, the portion of dental premiums applicable to future periods is included in the statements of admitted assets, liabilities, capital and surplus - statutory basis as unearned premiums. Dental care costs are accrued as services are rendered, including estimates of costs incurred but not yet reported.

Claims incurred and unpaid include both claims in process and a provision for incurred but not reported claims. The provision for incurred but not reported claims is an actuarially determined and certified estimate based on experience and accumulated statistical data. The methods for making such actuarially determined and certified estimates and for establishing the resulting liability are continually reviewed. Provision is also made for estimated claims processing costs to be incurred in paying such claims. Management believes the amounts reflected for these liabilities are adequate; however, the ultimate liabilities may differ from the amounts recorded and any adjustments are reflected in current earnings.
- e. Under the organization's cash management system, checks issued but not presented to banks frequently result in overdraft balances for accounting purposes and are included as "Cash and Short-Term Investments" in the statements of admitted assets, liabilities, capital and surplus - statutory basis.
- f. The organization maintains deposits from certain employer groups with administrative services contracts. These deposits represent a prefunding of expected costs under the contract.

NOTE 2 - ACCOUNTING CHANGES AND CORRECTIONS OF ERRORS

None.

NOTE 3 - BUSINESS COMBINATIONS AND GOODWILL

None.

NOTE 4 - DISCONTINUED OPERATIONS

None.

NOTE 5 - INVESTMENTS

- d. (3) Loan-backed securities (government agencies) are stated at amortized cost.

NOTE 6 - JOIN VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

None.

NOTE 7 - INVESTMENT INCOME

- a. Due and accrued investment income is recorded in compliance with the NAIC Annual Statement Instructions and Accounting Practices and Procedure Manual.
- b. The total amount excluded was \$0.

NOTE 8 - DERIVATIVE INSTRUMENTS

None.

NOTE 9 - INCOME TAXES

As a 501(c)4 entity under the Internal Revenue Code, the organization is not subject to federal income tax.

NOTE 10 - INFORMATION CONCERNING PARENT, SUBSIDIARIES AND AFFILIATES

- a. Omega Administrators, Inc.

On December 3, 2002, the organization incorporated Omega Administrators, Inc. (Omega) as a wholly owned for-profit subsidiary. Omega was incorporated to serve as a third party administrator and provide the organization with an alternative corporation which it can use to market dental coverages for other insurance carriers outside the boundaries of the state of

NOTES TO FINANCIAL STATEMENTS

Arkansas. The current Delta Dental Association restrictions prevent the organization from soliciting groups that do not operate within the boundaries of the state of Arkansas.

In order to provide Omega with working capital, the organization entered into a loan agreement with Omega to provide up to \$111,530 in funding. This loan was originated on September 25, 2003, bears interest at "Prime plus 2%" and matures on December 31, 2008. The loan is unsecured and is payable upon demand or at maturity if no demand is made. At December 31, 2003, a total of \$30,000 had been advanced by the organization to Omega.

On July 31, 2003, Omega and USABLE Life (USABLE) entered into an administrative services agreement, where Omega "will provide product support, underwriting, administrative claims adjudication and related services necessary to administer the product after the sale". USABLE will "provide all services related to the sale and marketing of the product, product filing and regulatory compliance, sales materials, premium billing and collection, producer licensing and commission payments, and related matters". The initial term of this agreement is for a period of five years and will expire on July 31, 2008.

Simultaneous to the Omega administrative services agreement with USABLE, the organization entered into a reinsurance agreement with USABLE, whereby USABLE will underwrite and sell dental insurance, fifty percent of which will be reinsured by the organization. Any profit or loss will be shared equally between the organization and USABLE, after deduction all expenses, costs and reserves from the total amount of premiums.

On August 1, 2003, Omega and Group Benefit Administrators, LLC (GBA) entered into an administrative services agreement, where GBA will provide:

- (1) Processing and payment of claims and related data processing based upon claims data provided by Omega
- (2) Printing and mailing of claim payment checks
- (3) Furnish Omega's bank with a positive pay file for claim payments
- (4) Printing and mailing "Notifications of Benefits"
- (5) Establish web-site based interface for Omega's customer services, employer and subscriber web sites
- (6) Assistance to Omega staff for complaint handling
- (7) Eligibility maintenance based upon the information provided by Omega to GBA
- (8) Access to data files detailing the claims paid
- (9) Establish group records based upon information provided by Omega
- (10) Standard system reports via the web-site
- (11) Produce group billings

GBA will receive an administrative fee for the above services equal to sixty-eight cents per enrolled employee, per month based upon the employees shown on the respective month's billing for groups. The initial agreement expires on December 1, 2004 and will renew automatically for one year successive periods.

On October 31, 2003, the organization and Omega entered into an administrative services agreement, where the organization "will provide product support, customer service and related services necessary to administer dental insurance contracts administered by Omega". The organization will remit monthly invoices to Omega for "the cost of services to include the salary of employees for the time worked on Omega business plus thirty percent for employee benefits plus any expense incurred due to the administration of Omega's business". The initial term of this agreement is for a period of five years and will expire on October 31, 2008. The organization received \$10,229 in administration fees during the year ended December 31, 2003.

Omega Administrators of Mississippi, Inc.

On October 24, 2003, Omega incorporated Omega Administrators of Mississippi, Inc. (Omega - Mississippi) as a wholly owned for-profit subsidiary. Omega - Mississippi was incorporated to meet the domestic corporation requirements of the state of Mississippi. After Omega meets Mississippi's Third Party Administrator requirement for number of years in operation, the organization anticipates merging Omega - Mississippi into Omega.

As part of its incorporation, Omega - Mississippi issued a promissory note to Omega in the amount of \$4,700. This loan was funded on October 31, 2003, bears interest at "Prime plus 2%" and matures on December 31, 2008. The loan is unsecured and is payable upon demand or at maturity if no demand is made.

On October 31, 2003, Omega and Omega - Mississippi entered into an administrative services agreement, where Omega "will provide product support, customer service and related services necessary to administer dental insurance contracts administered by Omega - Mississippi". Omega - Mississippi will be billed monthly at a rate of \$2.25 per subscriber, per month based on the number of subscribers at the end of each respective month. The initial term of this agreement is for a period of five years and will expire on October 31, 2008. Omega received \$729 in administration fees during the year ended December 31, 2003.

NOTE 11 - DEBT

- b. At December 31, 2003, the organization had three outstanding lines of credit totalling \$7,350,000 available for use in its business operations.
 - (1) The first line of credit totals \$5,000,000 and was established for use during the construction of the organization's new office facilities building. This line of credit is secured by the investment securities held by Stephens, Inc. in account #80024403 and all income earned and proceeds received from these securities. Interest accrues at a variable rate and is determined periodically as .500% above the "LIBOR Daily Floating Rate". Currently the interest rate approximates 1.634%. Interest only payments are due on the 10th of each month with one payment of the outstanding principal plus any accrued unpaid interest due on November 10, 2008. At December 31, 2002, \$2,000,000 had been drawn on this line of credit.
 - (2) The second line of credit totalled \$2,000,000 and was established for use "in case of emergencies or instance of natural disaster". This line of credit was unsecured and matured on November 12, 2003. No amounts have been drawn and none are currently outstanding on this line of credit. The organization has been contacted by the lender regarding a renewal of the line of credit, but no renewal terms have been negotiated.
 - (3) The third line of credit totalled \$350,000 and was established for use as "overdraft protection". This line of credit was unsecured and matured on November 12, 2003. No amounts have been drawn and none are currently outstanding on this line of credit. The organization has been contacted by the lender regarding a renewal of the line of credit, but no renewal terms have been negotiated.

NOTE 12 - RETIREMENT PLANS, DEFERRED COMPENSATION, POSTRETIREMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POSTRETIREMENT BENEFIT PLANS

- b. (1) Currently, the organization has three active retirement plans available for its eligible employees.

NOTES TO FINANCIAL STATEMENTS

The first, a profit sharing plan, has an effective date of July 1, 1994 and covers all full-time employees of the organization who have completed one year of service. Organization contributions are discretionary and limited by the internal revenue code. Total costs related to this plan were approximately \$170,000 and \$190,500 for the years ended December 31, 2003 and 2002, respectively.

The second, a 401 (k) Profit Sharing Plan, was established on July 1, 1994 and was restated effective January 1, 1997 and January 1, 2003. To be eligible to participate, an employee must have reached eighteen (18) years of age and have completed three (3) months of eligibility service. Pursuant to this plan, participant contributions cannot exceed 20% of compensation and are 100% vested and nonforfeitable. The organization will match 100% the first 3% of deferred wages and 50% of the next 2% of deferred wages. These matching contributions vest 20% per year over a five year period. Total costs related to this plan were \$101,387 and \$43,797 for the years ended December 31, 2003 and 2002, respectively.

The third, a Nonqualified 457 (b) Retirement Plan was established by the organization on April 1, 2003 "as an inducement and motivation to its key managerial and highly compensated employees". Participation in the plan is determined at the sole discretion of the organization's Board of Directors. At December 31, 2003, plan assets totalled \$72,787 and plan liabilities totalled \$73,936 resulting in a loss reported in the statement of activities of \$1,149.

- (2)
- On August 2, 2000, the date of his retirement, the organization agreed to pay biweekly retirement benefits of \$1,750.16 to its former President and CEO. These benefits are to paid for the rest of his life or ten years, whichever is greater. In the event of his death during the ten year period following retirement, one-half of the retirement benefit will be paid to his widow for the remainder of the ten year period.

NOTE 13 - CAPITAL AND SURPLUS, SHAREHOLDERS' DIVIDEND RESTRICTIONS AND QUASI-REORGANIZATIONS

9.
- (a)

Unrealized gains on US Treasury Bonds and agency securities totalled \$401,329 at December 31, 2003.
- (b)

Non-admitted assets totalled \$4,855,441 at December 31, 2003.

NOTE 14 - CONTINGENCIES

None.

NOTE 15 - LEASES

None.

NOTE 16 - INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK

None.

NOTE 17 - SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENT OF LIABILITIES

None.

NOTE 18 - GAIN OR LOSS TO THE REPORTING ENTITY FOR UNINSURED A & H PLANS AND THE UNINSURED PORTION OF PARTIALLY INSURED PLANS

The gain from operations from Administrative Services Contract (ASC) uninsured plans and the uninsured portion of partially insured plans were as follows for the years ended December 31, 2003 and 2002:

		2003	2002
(a)	Gross reimbursement for medical costs incurred	\$ 107,331,560	\$ 98,581,811
(b)	Gross Administrative fees accrued	8,558,025	7,894,280
(c)	Other income and expenses	0	0
(d)	Gross expenses incurred	(115,889,585)	(106,476,091)
(e)	Total net gain or loss from operations	\$ 0	\$ 0

NOTE 19 - DIRECT PREMIUMS WRITTEN/PRODUCED BY MANAGING GENERAL AGENTS OR THIRD PARTY ADMINISTRATORS

None.

NOTE 20 - SEPTEMBER 11 EVENTS

None.

NOTE 21 - OTHER ITEMS

None.

NOTE 22 - EVENTS SUBSEQUENT

The organization took possession and was granted occupancy of its new office facilities building on November 18, 2003. In connection

NOTES TO FINANCIAL STATEMENTS

with the construction of these facilities, the following of a new office facilities building, the following contracts and agreements were negotiated.

- (1)

On August 2, 2002, the organization entered into a contract with Williams and Dean Associated Architect, Inc. to design and assist with the construction of its new office facilities building, which will total approximately 40,000 square feet. Compensation for these services will be 4.5% of the construction costs. Unpaid architectural fees totalled \$3,190 at December 31, 2003.
- (2)

On January 15, 2003, the organization entered into a contract with Baldwin & Shell Construction Co. to serve as the general contractor during the construction of its new office facilities. Compensation for these services will be 5.0% of the construction costs, not to exceed \$625,630. Unpaid construction costs, including retainage, totalled \$175,339 at December 31, 2003.
- (3)

On September 3, 2003, the organization entered into two contracts with Today's Office, Inc. to provide the furniture, furnishings and equipment for the new office facilities building. The cost of this contract and related change orders totalled \$471,003. Amounts due and unpaid for furniture, furnishings and equipment placed in service prior to December 31, 2003 were \$240,019.

NOTE 23 - REINSURANCE

None.

NOTE 24 - RETROSPECTIVELY RATED CONTRACTS AND CONTRACTS SUBJECT TO TERMINATION

None.

NOTE 25 - CHANGE IN INCURRED CLAIMS AND CLAIMS ADJUSTMENT EXPENSES

The reserve for incurred claims and claim adjustment expenses attributable to insured events increased \$566,317, from \$2,224,740 at December 31, 2002 to \$2,791,057 at December 31, 2003. This increase is a result of the reestimation of unpaid claims and claim adjustment expenses principally related to dental insurance. Original estimates are increased and decreased as additional information becomes available regarding individual claims and as a result of ongoing analysis of recent loss development trends.

NOTE 26 - INTERCOMPANY POOLING ARRANGEMENTS

None.

NOTE 27 - STRUCTURED SETTLEMENTS

None.

NOTE 28 - HEATH CARE RECEIVABLES

None.

NOTE 29 - PARTICIPATING POLICIES

None.

NOTE 30 - PREMIUM DEFICIENCY RESERVES

None.

NOTE 31 - ANTICIPATED SALVAGE AND SUBROGATION

None.

NOTE 32 - ORGANIZATION AND OPERATION

Delta Dental Plan of Arkansas, Inc. (the Organization) was organized on March 15, 1982, as a not-for-profit corporation exempt from income tax under section 501 (c) (4) of the Internal Revenue Code and is subject to regulation by the Insurance Department of the State Arkansas. The organization maintains and operates a not-for-profit dental care plan by which professional dental services are provided through employer groups to employees who are subscribers in the plan. Dental services are provided under written contracts with the employer groups which entitle the subscriber to certain dental services by dentists licensed and registered to practice with their state. The organization reimburses participating dentists for claims to eligible fees after applying deductibles, co-insurance and policy limitations in accordance with the contracts. The organization has certain contracts with employer groups in which it provides Administrative Services Contracts (ASC). Services include: review of claims, payment of benefits, notification to the insured parties, certain cost containment services and accounting reports. For these services, the organization receives an administrative fee and is reimbursed for all benefit payments. The books and records are maintained and the corporate office is located at 1513 Country Club Lane, Sherwood, Arkansas 72120.

NOTE 33 - MINIMUM NET WORTH

Under the laws of the state of Arkansas, the organization is required to provide a minimum contingency reserve of \$50,000. Pursuant to the Arkansas Statutory Deposit Requirements, the organization has pledged a certificate of deposit in the amount of \$50,000 to the Insurance Department of Arkansas.

NOTES TO FINANCIAL STATEMENTS

NOTE 34 - PROPERTY AND EQUIPMENT

The organization provides for depreciation on the straight-line basis using lives that range from three to forty years. Depreciation charged to operations was \$542,992 and \$338,813 for the years ended December 31, 2003 and 2002, respectively. The following is a summary of Admitted Property and Equipment at December 31, 2003 and 2002.

	2003	2002
Land and Building	\$ 6,504,391	\$ 3,471,699
Furniture and Fixtures	<u>3,403,672</u>	<u>2,034,218</u>
Total Property and Equipment	\$ 9,908,063	\$ 5,505,917
Less Accumulated Depreciation	<u>(1,826,565)</u>	<u>(1,530,484)</u>
Net Property and Equipment	\$ 8,081,498	\$ 3,975,433
Less Non-Admitted Property and Equipment	<u>(4,542,562)</u>	<u>(716,301)</u>
Net Admitted Assets	<u>\$ 3,538,936</u>	<u>\$ 3,259,132</u>
Real Estate	\$ 2,647,358	\$ 2,746,403
Electronic Data Processing Equipment	891,578	512,729
Furniture and Equipment	<u>0</u>	<u>0</u>
Net Admitted Assets	<u>\$ 3,538,936</u>	<u>\$ 3,259,132</u>

NOTE 35 - CONCENTRATIONS OF CREDIT RISKS

The organization maintains its cash in bank deposit accounts which may at times exceed the federally insured limits. No losses have been experienced in these accounts and the organization does not believe it is exposed to any significant credit risk thereon.

NOTE 36 - INVESTMENTS

The organization reports its US Treasury Bonds and government agency securities at amortized cost. All other investments with readily determinable fair values are reported at their fair value in the statements of admitted assets, liabilities, capital and surplus - statutory basis. Unrealized gains and losses are included in the change in net assets in the accompanying statements of revenue and expenses and changes in capital and surplus - statutory basis. The following is a summary of Investment Securities held at December 31, 2003 and 2002.

2003	AMORTIZED VALUE	MARKET VALUE	UNREALIZED (LOSS)/GAIN
US Treasury Bonds	\$ 10,230,908	\$ 10,550,078	\$ 319,170
Government Agencies	4,964,249	5,046,408	82,159
S & P 500 Depositary Receipts	3,187,949	3,179,826	(8,123)
Other Marketable Securities	<u>99,350</u>	<u>101,000</u>	<u>1,650</u>
Total	<u>\$ 18,482,456</u>	<u>\$ 18,877,312</u>	<u>\$ 394,856</u>
2002	AMORTIZED VALUE	MARKET VALUE	UNREALIZED (LOSS)/GAIN
US Treasury Bonds	\$ 8,898,662	\$ 9,304,098	\$ 405,436
S & P 500 Depositary Receipts	5,704,124	5,839,032	134,908
Other Marketable Securities	3,187,949	2,521,173	(666,776)
Cash and Money Market Funds	<u>99,071</u>	<u>95,000</u>	<u>(4,071)</u>
Total	<u>\$ 17,889,806</u>	<u>\$ 17,759,303</u>	<u>\$ (130,503)</u>

NOTE 37 - RECONCILIATION WITH GAAP FINANCIAL STATEMENTS

A reconciliation of statutory capital and surplus, as determined using statutory accounting practices, to net assets, as determined by generally accepted accounting principles, as of December 31, 2003 and 2002 is as follows:

	2003	2002
Statutory Capital and Surplus	\$ 20,347,766	\$ 21,357,617
Recognition of statutory Non-Admitted Assets:		
Prepaid Expenses	108,173	64,451
Furniture and Fixtures	698,156	312,815
Building and Land	3,844,406	502,620
Properties Held for Sale	582,634	0
Investment Carrying Value	<u>392,350</u>	<u>541,273</u>
Fund Balance Per GAAP Financial Statement	<u>\$ 25,973,485</u>	<u>\$ 22,679,642</u>

In the GAAP financial statements, reimbursements and payments of claims for ASC groups are presented as separate items in the revenue and expense sections of the statements of revenues, expenses and changes in net assets. Statutory accounting principles do not provide for inclusion of those amounts in the statements of revenues and expenses and changes in capital and surplus.

NOTE 38 - ADMINISTRATIVE SERVICES CONTRACTS

The organization has certain contracts with employer groups in which it provides administrative services. Such services include: review of claims, disbursement of benefits, notification to the insureds, certain cost containment services and accounting reports, as well as credentialing and professional relation services. In this capacity, the organization paid claims of approximately \$107,331,560 and \$98,581,800 during the years ended December 31, 2003 and 2002. These amounts are not included in the accompanying financial statements. In consideration for these services, the organization receives an administrative fee and is reimbursed for all benefit payments. The related subscriber claims reserves and corresponding assets of approximately \$8,558,025 and

NOTES TO FINANCIAL STATEMENTS

\$7,894,300 at December 31, 2003 and 2002 are also excluded from the accompanying financial statements.

Included in the activity described in the above paragraph is an administrative services contract with a major employer/retailer group. Claims processed and paid for this group were approximately \$81,461,300 and \$75,004,100 during the years ended December 31, 2003 and 2002. Administrative service fees related to the processing of these claims were approximately \$6,853,500 and \$6,627,800 for each respective year.

NOTE 39 - COMMITMENTS

During the year ended December 31, 1999, the organization executed a claims processing agreement with Delta Dental Plan of Michigan, Inc. which requires an eighty-five cent payment for each claim processed. The initial agreement expired on December 31, 2003 and will be renewed. Contract term negotiations have not been finalized, but preliminary negotiations will lower the per claim processing fee to eighty-three cents beginning January 1, 2004. Total processing fees incurred were approximately \$1,220,000 and \$1,156,100 for the years ended December 31, 2003 and 2002, respectively.

NOTE 40 - UNPAID CLAIMS, LOSSES AND LOSS ADJUSTMENT EXPENSES

	2003	2002
Unpaid Claims and Claims Adjustment Expense:		
Claims - Beginning of Year	\$ 2,127,000	\$ 3,180,000
Claims Adjustment Expenses - Beginning of Year	97,740	157,313
 Incurred Claims and Claim Adjustment Expenses:		
Loss Events	41,348,352	36,011,966
 Actual Payments:		
Payments	<u>(40,545,009)</u>	<u>(37,124,539)</u>
 Unpaid Claims and Claims Adjustment Expense:		
End of Year	<u>\$ 3,028,083</u>	<u>\$ 2,224,740</u>
 Unpaid Claims and Claims Adjustment Expense:		
Claims	\$ 2,900,000	\$ 2,127,000
Claims Adjustment Expenses	<u>128,083</u>	<u>97,740</u>
 End of Year	<u>\$ 3,028,083</u>	<u>\$ 2,224,740</u>

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	10,214,103	33.890	10,214,103	39.513
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies				
1.22 Issued by U.S. government sponsored agencies				
1.3 Foreign government (including Canada, excluding mortgage-backed securities)				
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations				
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations				
1.43 Revenue and assessment obligations				
1.44 Industrial development and similar obligations				
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Guaranteed by GNMA				
1.512 Issued by FNMA and FHLMC	4,963,670	16.469	4,963,670	19.202
1.513 Privately issued				
1.52 CMOs and REMICs:				
1.521 Issued by FNMA and FHLMC				
1.522 Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA, or FHLMC				
1.523 All other privately issued				
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	99,350	0.330	99,350	0.384
2.2 Unaffiliated foreign securities				
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds				
3.2 Preferred stocks:				
3.21 Affiliated				
3.22 Unaffiliated				
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated				
3.4 Other equity securities:				
3.41 Affiliated	(3,265)	(0.011)	(3,265)	(0.013)
3.42 Unaffiliated	3,179,826	10.550	3,179,826	12.301
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated				
3.52 Unaffiliated				
4. Mortgage loans:				
4.1 Construction and land development				
4.2 Agricultural				
4.3 Single family residential properties				
4.4 Multifamily residential properties				
4.5 Commercial loans				
4.6 Mezzanine real estate loans				
5. Real estate investments:				
5.1 Property occupied by company	6,353,855	21.082	2,647,358	10.241
5.2 Property held for production of income (includes \$ 0 of property acquired in satisfaction of debt)				
5.3 Property held for sale (\$ 0 including property acquired in satisfaction of debt)	964,453	3.200	381,819	1.477
6. Policy loans				
7. Receivables for securities				
8. Cash and short-term investments	4,294,935	14.250	4,294,935	16.615
9. Other invested assets	72,406	0.240	72,406	0.280
10. Total invested assets	30,139,333	100.000	25,850,202	100.000

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes ☐ No ☒
- 1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes ☐ No ☒ N/A ☐
- 1.3

State Regulating?
- 2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes ☒ No ☐
- 2.2

If yes, date of change:
If not previously filed, furnish herewith a certified copy of the instrument as amended.

04/18/2003
- 3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

02/18/2003
- 3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

02/18/2003
- 3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

02/18/2003
- 3.4

By what department or departments? Arkansas Insurance Department
- 4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business?

Yes ☐ No ☒

4.12 renewals?

Yes ☐ No ☒
- 4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business?

Yes ☐ No ☒

4.22 renewals?

Yes ☐ No ☒
- 5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes ☐ No ☒
- 5.2

If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile

- 6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action either formal or informal, if a confidentiality clause is part of the agreement)

Yes ☐ No ☒
- 6.2

If yes, give full information
- 7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes ☐ No ☒
- 7.2

If yes,

7.21 State the percentage of foreign control

0 %

7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact)

1	2
Nationality	Type of Entity

GENERAL INTERROGATORIES
(continued)

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [] No [X]
8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [] No [X]
8.4 If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.]

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC
		NO	NO	NO	NO	NO
		NO	NO	NO	NO	NO
		NO	NO	NO	NO	NO
		NO	NO	NO	NO	NO
		NO	NO	NO	NO	NO

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Massey & Wood
137 Shadow Oaks Drive, Sherwood, AR 72120
10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with a(n) actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification? William T. Billard
4100 Okemos Road, Okemos, MI 48864
Delta Dental Plan of Michigan, Inc.

11. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

11.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
11.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [] No [X]
11.3 Have there been any changes made to any of the trust indentures during the year? Yes [] No [X]
11.4 If answer to (11.3) is yes, has the domiciliary or entry state approved the changes? Yes [] No [] N/A [X]

BOARD OF DIRECTORS

12. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof? Yes [X] No []
13. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes [X] No []
14. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees which is in or is likely to conflict with the official duties of such person? Yes [] No [X]

FINANCIAL

15.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
15.11 To directors or other officers \$
15.12 To stockholders not officers \$
15.13 Trustees, supreme or grand (Fraternal only) \$
15.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
15.21 To directors or other officers \$
15.22 To stockholders not officers \$
15.23 Trustees, supreme or grand (Fraternal only) \$
16.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [] No [X]
16.2 If yes, state the amount thereof at December 31 of the current year:
16.21 Rented from others \$
16.22 Borrowed from others \$
16.23 Leased from others \$
16.24 Other \$
Disclose in Notes to Financial the nature of each obligation.
17.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [] No [X]
17.2 If answer is yes:
17.21 Amount paid as losses or risk adjustment \$
17.22 Amount paid as expenses \$
17.23 Other amounts paid \$

GENERAL INTERROGATORIES

(continued)

INVESTMENT

18. List the following capital stock information for the reporting entity:

	1	2	3	4	5	6
Class	Number of Shares Authorized	Number of Shares Outstanding	Par Value Per Share	Redemption Price If Callable	Is Dividend Rate Limited?	Are Dividends Cumulative?
Preferred					Yes [] No []	Yes [] No []
Common				X X X	X X X X X X	X X X X X X

19.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 3 - Special Deposits?

Yes [] No [X]

19.2 If no, give full and complete information, relating thereto

Custodian - Stephens Capital Management

20.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on Schedule E - Part 3 - Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 16.1).

Yes [X] No []

20.2 If yes, state the amount thereof at December 31 of the current year:

20.21 Loaned to others

20.22 Subject to repurchase agreements

20.23 Subject to reverse repurchase agreements

20.24 Subject to dollar repurchase agreements

20.25 Subject to reverse dollar repurchase agreements

20.26 Pledged as collateral

20.27 Placed under option agreements

20.28 Letter stock or securities restricted as to sale

20.29 Other

\$

\$

\$

\$

\$

\$2,000,000

\$

\$

\$

20.3 For each category above, if any of these assets are held by other, identify by whom held:

20.31

20.32

20.33

20.34

20.35

20.36 Stephens Capital Management

20.37

20.38

20.39

For categories (20.21) and (20.23) above, and for any securities that were made available for use by another person during the period covered by this statement, attach a schedule as shown in the instructions to the annual statement

20.4 For category (20.28) provide the following:

1	2	3
Nature of Restriction	Description	Amount

21.1 Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes [] No [X]

21.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?

Yes [] No [] N/A [X]

If no, attach a description with this statement.

22.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes [] No [X]

22.2 If yes, state the amount thereof at December 31 of the current year.

\$

GENERAL INTERROGATORIES
(continued)

INVESTMENT

23. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1-General, Section IV.H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [] No [X]

23.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
Stephens Capital Management	111 Center Street, Little Rock, AR 72201

23.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

23.03 Have there been any changes, including name changes, in the custodian(s) identified in 23.01 during the current year? Yes [] No [X]

23.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

23.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of brokers/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address

24.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)]? Yes [] No [X]

24.2 If yes, complete the following schedule:

1 CUSIP#	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
9999999 TOTAL		

24.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation

GENERAL INTERROGATORIES

(continued)

OTHER

25.1

Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any?

\$

209,830

25.2

List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

1 Name	2 Amount Paid
Delta Dental Plan Association	\$ 209,830
	\$
	\$
	\$

26.1

Amount of payments for legal expenses, if any?

\$

48,688

26.2

List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Southern & Allen	\$ 35,029
	\$
	\$
	\$

27.1

Amount of payments for expenditures in connection with matters before legislative bodies, officers or department of government, if any?

\$

13,000

27.2

List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or department of government during the period covered by this statement.

1 Name	2 Amount Paid
Phillips Management	\$ 13,000
	\$
	\$
	\$

GENERAL INTERROGATORIES

(Continued)

PART 2 - HEALTH INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force?		YES []	NO [X]
1.2 If yes, indicate premium earned on U.S. business only.		\$	
1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?		\$	
1.31 Reason for excluding			
.....			
.....			
1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above		\$	
1.5 Indicate total incurred claims on all Medicare Supplement insurance.		\$	
1.6 Individual policies:			
Most current three years:			
1.61 Total premium earned		\$	
1.62 Total incurred claims		\$	
1.63 Number of covered lives		\$	
All years prior to most current three years:			
1.64 Total premium earned		\$	
1.65 Total incurred claims		\$	
1.66 Number of covered lives		\$	
1.7 Group policies:			
Most current three years:			
1.71 Total premium earned		\$	
1.72 Total incurred claims		\$	
1.73 Number of covered lives		\$	
All years prior to most current three years:			
1.74 Total premium earned		\$	
1.75 Total incurred claims		\$	
1.76 Number of covered lives		\$	
2. Health Test:			
	1	2	
	Current Year	Prior Year	
2.1 Premium Numerator	\$ 48,844,265	\$ 42,089,864	
2.2 Premium Denominator	\$ 48,844,265	\$ 42,089,864	
2.3 Premium Ratio (2.1/2.2)	1.00	1.00	
2.4 Reserve Numerator	\$ 2,900,000	\$ 2,127,000	
2.5 Reserve Denominator	\$ 2,900,000	\$ 2,127,000	
2.6 Reserve Ratio (2.4/2.5)	1.00	1.00	
3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?		YES []	NO [X]
3.2 If yes, give particulars:			
.....			
.....			
4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and departments been filed with the appropriate regulatory agency?		YES [X]	NO []
4.2 If not previously filed furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?		YES [X]	NO []
5.1 Does the reporting entity have stop-loss reinsurance?		YES []	NO [X]
5.2 If no, explain: No need since we only write dental insurance.			
.....			
5.3 Maximum retained risk (see instructions)			
5.31 Comprehensive Medical		\$	
5.32 Medical Only		\$	
5.33 Medicare Supplement		\$	
5.34 Dental		\$	2,000
5.35 Other Limited Benefit Plan		\$	
5.36 Other		\$	
6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements: We maintain reserves above our RBC requirement.			
.....			
.....			
7.1 Does the reporting entity set up its claim liability for provider services on a service data basis?		YES [X]	NO []
7.2 If no, give details			
.....			
.....			
8. Provide the following information regarding participating providers:			
8.1 Number of providers at start of reporting year			892
8.2 Number of providers at end of reporting year			918
9.1 Does the reporting entity have business subject to premium rate guarantees?		YES []	NO [X]
9.2 If yes, direct premium earned:			
9.21 Business with rate guarantees between 15-36 months			
9.22 Business with rate guarantees over 36 months			

GENERAL INTERROGATORIES

(Continued)

PART 2 - HEALTH INTERROGATORIES

10.1

Does the reporting entity have Incentive Pool, Withhold and Bonus/Arrangements in its provider contracts?

YES [] NO [X]

10.2

If yes:

10.21

Maximum amount payable bonuses

\$ _____

10.22

Amount actually paid for year bonuses

\$ _____

10.23

Maximum amount payable withholds

\$ _____

10.24

Amount actually paid for year withholds

\$ _____

11.1

Is the reporting entity organized as:

11.12

A Medical Group/Staff Model,

YES [] NO [X]

11.13

An Individual Practice Association (IPA), or,

YES [] NO [X]

11.14

A Mixed Model (combination of above)

YES [] NO [X]

11.2

Is the reporting entity subject to Minimum Net Worth Requirements?

YES [X] NO []

11.3

If yes, show the name of the state requiring such net worth.

Arkansas

11.4

If yes, show the amount required.

\$ _____ 50,000

11.5

Is this amount included as part of contingency reserve in stockholder's equity?

YES [] NO [X]

11.6

If the amount is calculated, show the calculation

12.

List service areas in which reporting entity is licensed to operate:

1		
Name of Service Area		
Dental	Third Party Administrator	

FIVE-YEAR HISTORICAL DATA

	1	2	3	4	5
	2003	2002	2001	2000	1999
BALANCE SHEET ITEMS (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	30,291,766	27,464,025	25,651,099	21,000,006	17,498,081
2. Total liabilities (Page 3, Line 22)	9,944,000	6,106,408	6,087,327	6,085,692	5,927,189
3. Statutory surplus	50,000	50,000	50,000	50,000	50,000
4. Total capital and surplus (Page 3, Line 30)	20,347,766	21,357,617	19,563,772	14,914,314	11,570,892
INCOME STATEMENT ITEMS (Page 4)					
5. Total revenues (Line 8)	48,844,265	42,089,864	38,467,149	35,230,959	32,781,575
6. Total medical and hospital expenses (Line 18)	41,318,009	36,011,966	31,395,952	30,460,126	28,830,003
7. Total administrative expenses (Line 21)	3,870,421	3,254,317	1,734,567	2,689,641	3,122,692
8. Net underwriting gain (loss) (Line 24)	2,056,065	1,412,405	3,531,872	2,081,192	828,880
9. Net investment gain (loss) (Line 27)	524,684	1,335,872	984,034	939,809	921,084
10. Total other income (Line 28 plus 29)	215,747	185,281	89,172	68,468	39,972
11. Net income or (loss) (Line 32)	2,796,496	2,933,558	4,605,078	3,089,469	1,789,936
RISK-BASED CAPITAL ANALYSIS					
12. Total adjusted capital	20,347,766	21,357,617	19,563,772	14,914,314	11,570,892
13. Authorized control level risk-based capital	1,921,131	1,762,520	1,531,818	1,362,798	1,192,163
ENROLLMENT (Exhibit 2)					
14. Total members at end of period (Column 5, Line 7)	114,202	104,766	92,759		
15. Total members months (Column 6, Line 7)	1,331,574	1,227,487			
OPERATING PERCENTAGE (Page 4) (Item divided by Page 4, sum of Lines 2, 3, and 5)					
16. Premiums earned (Lines 2 plus 3)	100.0	100.0	100.0	100.0	100.0
17. Total hospital and medical (Line 18)	84.6	85.6	81.6	86.5	87.9
18. Total underwriting deductions (Line 23)	95.8	96.6	90.8	7.6	9.5
19. Total underwriting gain (loss) (Line 24)	4.2	3.4	9.2	5.9	2.6
UNPAID CLAIMS ANALYSIS (U&I Exhibit, Part 2B)					
20. Total claims incurred for prior years (Line 12, Col. 5)	2,310,193	2,166,415	2,299,240	2,912,000	2,832,918
21. Estimated liability of unpaid claims - [prior year (Line 12, Col. 6)]	2,127,000	2,500,000	3,180,000	2,912,000	2,832,918
INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES					
22. Affiliated bonds (Sch. D Summary, Line 25, Col. 1)					
23. Affiliated preferred stocks (Sch. D Summary, Line 39, Col. 1)					
24. Affiliated common stocks (Sch. D Summary, Line 53, Col. 2)	(3,265)				
25. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11)					
26. Affiliated mortgage loans on real estate					
27. All other affiliated					
28. Total of above Lines 22 to 27	(3,265)				

SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year

Description		1	2	3	4
		Book/Adjusted Carrying Value	Fair Value (a)	Actual Cost	Par Value of Bonds
BONDS	1. United States	15,177,773	15,596,487	15,383,805	14,940,000
	2. Canada				
	3. Other Countries				
	4. Totals	15,177,773	15,596,487	15,383,805	14,940,000
Governments (Including all obligations guaranteed by governments)	5. United States				
	6. Canada				
	7. Other Countries				
	8. Totals				
States, Territories and Possessions (Direct and guaranteed)	9. United States				
	10. Canada				
	11. Other Countries				
	12. Totals				
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	13. United States				
	14. Canada				
	15. Other Countries				
	16. Totals				
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	17. United States				
	18. Canada				
	19. Other Countries				
	20. Totals				
Public Utilities (unaffiliated)	21. United States	99,350	101,000	100,000	100,000
	22. Canada				
	23. Other Countries				
	24. Totals	99,350	101,000	100,000	100,000
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)					
Parent, Subsidiaries and Affiliates	25. Totals				
	26. Total Bonds	15,277,123	15,697,487	15,483,805	15,040,000
PREFERRED STOCKS	27. United States				
	28. Canada				
	29. Other Countries				
	30. Totals				
Public Utilities (unaffiliated)	31. United States				
	32. Canada				
	33. Other Countries				
	34. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	35. United States				
	36. Canada				
	37. Other Countries				
	38. Totals				
Industrial and Miscellaneous (unaffiliated)	39. Totals				
	40. Total Preferred Stocks				
COMMON STOCKS	41. United States				
	42. Canada				
	43. Other Countries				
	44. Totals				
Public Utilities (unaffiliated)	45. United States				
	46. Canada				
	47. Other Countries				
	48. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	49. United States	3,179,826	3,179,826	3,187,949	
	50. Canada				
	51. Other Countries				
	52. Totals	3,179,826	3,179,826	3,187,949	
Industrial and Miscellaneous (unaffiliated)	53. Totals	(3,265)	(3,265)	35,000	
	54. Total Common Stocks	3,176,561	3,176,561	3,222,949	
	55. Total Stocks	3,176,561	3,176,561	3,222,949	
	56. Total Bonds and Stocks	18,453,684	18,874,048	18,706,754	

(a) The aggregate value of bonds which are valued at other than actual fair value is \$ 0 .

SCHEDULE D - VERIFICATION BETWEEN YEARS

1. Book/adjusted carrying value of bonds and stocks, prior year	17,218,030	6. Foreign Exchange Adjustment:	
2. Cost of bonds and stocks acquired, Column 6, Part 3	4,337,449	6.1 Column 17, Part 1	
3. Increase (decrease) by adjustment:		6.2 Column 13, Part 2, Section 1	
3.1 Column 16, Part 1	(121,972)	6.3 Column 11, Part 2, Section 2	
3.2 Column 12, Part 2, Section 1		6.4 Column 11, Part 4	
3.3 Column 10, Part 2, Section 2	620,389	7. Book/adjusted carrying value at end of current period	18,453,684
3.4 Column 10, Part 4	(33,268)	8. Total valuation allowance	
4. Total gain (loss), Column 14, Part 4	5,223	9. Subtotal (Lines 7 plus 8)	18,453,684
5. Deduct consideration for bonds and stocks disposed of Column 6, Part 4	3,572,167	10. Total nonadmitted amounts	
		11. Statement value of bonds and stocks, current period	18,453,684

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

			1	2	Direct Business Only					
					3	4	5	6	7	8
State, Etc.			Guaranty Fund (Yes or No)	Is Insurer Licensed (Yes or No)	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life & Annuity Premiums & Deposit-Type Contract Funds	Property/Casualty Premiums
1.	Alabama	AL	NO	NO						
2.	Alaska	AK	NO	NO						
3.	Arizona	AZ	NO	NO						
4.	Arkansas	AR	YES	YES	48,844,265					
5.	California	CA	NO	NO						
6.	Colorado	CO	NO	NO						
7.	Connecticut	CT	NO	NO						
8.	Delaware	DE	NO	NO						
9.	Dist. Columbia	DC	NO	NO						
10.	Florida	FL	NO	NO						
11.	Georgia	GA	NO	NO						
12.	Hawaii	HI	NO	NO						
13.	Idaho	ID	NO	NO						
14.	Illinois	IL	NO	NO						
15.	Indiana	IN	NO	NO						
16.	Iowa	IA	NO	NO						
17.	Kansas	KS	NO	NO						
18.	Kentucky	KY	NO	NO						
19.	Louisiana	LA	NO	NO						
20.	Maine	ME	NO	NO						
21.	Maryland	MD	NO	NO						
22.	Massachusetts	MA	NO	NO						
23.	Michigan	MI	NO	NO						
24.	Minnesota	MN	NO	NO						
25.	Mississippi	MS	NO	NO						
26.	Missouri	MO	NO	NO						
27.	Montana	MT	NO	NO						
28.	Nebraska	NE	NO	NO						
29.	Nevada	NV	NO	NO						
30.	New Hampshire	NH	NO	NO						
31.	New Jersey	NJ	NO	NO						
32.	New Mexico	NM	NO	NO						
33.	New York	NY	NO	NO						
34.	North Carolina	NC	NO	NO						
35.	North Dakota	ND	NO	NO						
36.	Ohio	OH	NO	NO						
37.	Oklahoma	OK	NO	NO						
38.	Oregon	OR	NO	NO						
39.	Pennsylvania	PA	NO	NO						
40.	Rhode Island	RI	NO	NO						
41.	South Carolina	SC	NO	NO						
42.	South Dakota	SD	NO	NO						
43.	Tennessee	TN	NO	NO						
44.	Texas	TX	NO	NO						
45.	Utah	UT	NO	NO						
46.	Vermont	VT	NO	NO						
47.	Virginia	VA	NO	NO						
48.	Washington	WA	NO	NO						
49.	West Virginia	WV	NO	NO						
50.	Wisconsin	WI	NO	NO						
51.	Wyoming	WY	NO	NO						
52.	American Samoa	AS	NO	NO						
53.	Guam	GU	NO	NO						
54.	Puerto Rico	PR	NO	NO						
55.	U.S. Virgin Islands	VI	NO	NO						
56.	Canada	CN	NO	NO						
57.	Aggregate Other Alien	OT	X X X	X X X						
58.	Total (Direct Business)		X X X	(a) 1	48,844,265					
DETAILS OF WRITE-INS										
5701.										
5702.										
5703.										
5798. Summary of remaining write-ins for Line 57 from overflow page										
5799. Totals (Lines 5701 through 5703 plus 5798) (Line 57 above)										
Explanation of basis of allocation by states, premiums by state, etc.										

(a) Insert the number of yes responses except for Canada and other Alien.

NONE Schedule Y - Part 1

OVERFLOW PAGE FOR WRITE-INS

OVERFLOW PAGE FOR WRITE-INS

Page 14 - Continuation
UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - ANALYSIS OF EXPENSES

	1 Claim Adjustment Expenses	2 General Administrative Expenses	3 Investment Expenses	4 Total
REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR EXPENSES				
2504. Record Storage	15,946	16,028		31,974
2505. Seminars	27,535	27,676		55,211
2506. Subscriptions	8,410	8,453		16,863
2507. Provider fee reimbursement		1,100		1,100
2508. Moving	4,210	4,231		8,441
2509.				
2510.				
2511.				
2512.				
2513.				
2514.				
2515.				
2516.				
2517.				
2518.				
2519.				
2520.				
2521.				
2522.				
2523.				
2524.				
2525.				
2597. Totals (Lines 2504 through 2525) (Page 14, Line 2598)	56,101	57,488		113,589